UNIFIN FINANCIERA S.A.B. DE C.V. | unifin.com.mx

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4Q19 and Full Year 2019 Earnings Conference Call

Date: Friday, February 21, 2020

Time: 10:00 a.m. Eastern Time / 9:00 a.m. Mexico City time

Presenting for UNIFIN:

Mr. Sergio Camacho - Chief Executive Officer

Mr. Sergio Cancino - Chief Financial Officer

Mr. David Pernas - Director, IR & Corporate Finance

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UNIFIN reports an increase of 23.3% in Interest Income, reaching Ps. 10,762 million in 2019; Financial Margin grew 18.7% over the year

Mexico City, February 20th, 2020 – UNIFIN Financiera, S.A.B. de C.V. ("UNIFIN" or "the Company") (BMV: UNIFINA), announces its results for the fourth quarter ("4Q19") and full year 2019 ("2019"). The Financial Statements have been prepared based on International Financial Reporting Standards ("IFRS"), in accordance with the accounting criteria of the Mexican National Banking and Securities Commission ("CNBV") and filed with the Mexican Stock Exchange ("BMV").

4Q19 and Full Year 2019 Highlights

- In 4Q19, the Company's total origination volume ended at Ps. 10,097 million, a growth of 42.7% vs. Ps. 7,077 million in 3Q19, mostly explained by significant recovery in leasing originations (+70.4% vs. 3Q19).

- As of December 31, 2019, the backlog of the Company stood at ~Ps. 14,000 million of approved facilities waiting to be disbursed, that we expect to materialize in 2020 (~2,200 new clients).

- Interest income in 2019 rose by 23.3% vs. 2018 to Ps. 10,762 million. In 4Q19, interest income grew by 18.8% to Ps. 2,901 million.

- Financial margin in 2019 ended at Ps. 3,817 million, a growth of 18.7% compared to the previous year. The financial margin for 4Q19 increased 12.2% to Ps. 1,091 million.

- Full year 2019 operating income ended at Ps. 1,842 million pesos, an increase of 6.1% vs 2018. Operating income in 4Q19 closed at Ps. 438 million vs. Ps. 485 million in 4Q18.

- The net income for the full year 2019 closed at Ps. 1,949 million, a decline of 1.7%, due to negative carry from a large cash balance and increased provisions. In 4Q19 net income reached Ps. 552 million.

- With the cancellation of 7.5 million shares held in treasury related to the share buyback program, EPS in 2019 improved to Ps. 5.65 vs. Ps. 5.53, underlining our commitment to our shareholder value.

- As of December 31, 2019, the total portfolio reached Ps. 58,611 million, an increase of 29.8% compared to 2018. This portfolio growth was 480 bps above our guidance for 2019.

- The NPL ratio reached 4.1% of the loan portfolio at the end of 2019, below market's average and in line with historic trends, and management expectations.

- The weighted average funding cost for the year was 10.5%, 20 bps below our guidance for 2019.

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Financial Summary

Figures in Million Pesos

Financial Metrics	4Q19	4Q18	Var.%	2019	2018	Var.%
Interest income	**2,901**	**2,441**	18.8%	**10,762**	**8,727**	23.3%
Interest cost	1,809	1,468	23.3%	6,945	5,512	26.0%
Loan loss provision portfolio	273	128	113.5%	428	328	30.5%
Adjusted financial margin	**818**	**845**	(3.2%)	**3,389**	**2,887**	17.4%
Adjusted financial margin (as % of income)	**28.2%**	**34.6%**		**31.5%**	**33.1%**	
Admin. expenses	386	255	51.7%	1,377	1,092	26.1%
Operating income	**438**	**485**	(9.6%)	**1,842**	**1,736**	6.1%
Operating income margin	**15.1%**	**19.9%**		**17.1%**	**19.9%**	
Comprehensive financing result	226	233	(3.2%)	528	592	(10.8%)
Net income before tax	**673**	**736**	**(8.5%)**	**2,403**	**2,364**	**1.7%**
Net income	**552**	**627**	**(11.9%)**	**1,949**	**1,983**	**(1.7%)**
Net income margin	**19.0%**	**25.7%**		**18.1%**	**22.7%**	
Operating Metrics						
Total portfolio				**58,611**	**45,149**	**29.8%**
Leasing				43,030	36,158	19.0%
Factoring				3,256	2,864	13.7%
Auto Loans				2,865	1,881	52.3%
Structured Leasing & Other loans				9,460	4,246	122.8%
NPL ratio				**4.1%**	**3.1%**	
Key Financial Indicators						
Net Interest Margin (NIM)				**7.4%**	**7.8%**	
Efficiency ratio				**34.8%**	**37.3%**	
ROAA				**2.8%**	**3.4%**	
ROAE				**19.6%**	**21.0%**	
Capitalization (equity / net loan portfolio)				**19.0%**	**21.8%**	
Capitalization (excl. MTM)				**21.7%**	**23.0%**	
Equity / total assets				**13.8%**	**15.8%**	
Financial leverage (excl. ABS)				**4.4**	**3.6**	
Total leverage (excl. ABS)				**4.9**	**3.7**	

Message from the Chairman of the Board

2019 was characterized globally by elevated uncertainty due to commercial, social, and geopolitical tensions. The synchronized global slowdown, caused in part by the trade war between the United States and China, had a significant effect on the world´s GDP, projected to have increased by just 2.9% in 2019, its slowest pace since 2009. In contrast to this economic slowdown, financial assets registered an upswing. The MSCI Global Equity Index rose by an impressive 25%, led by a 29% increase of the S&P 500. This difference between economic growth and financial performance was mainly explained by monetary easing policies adopted by central banks around the world.

Mexico was not the exception to this rule, even though the economic activity remained sluggish in 2019, financial assets rallied. The Mexican peso appreciated by 3.7% against the US Dollar, the MBonos rates fell sharply between 165 and 175 basis points (bps), the stock index rose by 4.6%, while the five-year CDS decreased around 75 bps Internally, the contraction in public and private investment as a result of the change in administration contributed to the negative economic performance. The cancelation of the Texcoco airport was a controversial decision, and even though debt and payments by bondholders and contactors were fully guaranteed by the government, it caused a significant deterioration on business sentiment. As a result of this measure and a bearish landscape for businesses, gross fixed investment decreased by 5.1% during the first eleven months of 2019. Another internal consideration was the uncertainty due to commercial tensions created by a potential increase in overall tariffs from the Trump administration as well as from disagreements surrounding negotiations regarding the new trilateral free trade agreement between the United States, Mexico and Canada. The USMCA has now already been ratified by Mexico and the United States, while Canada is likely to approve it during this upcoming first quarter. Regarding monetary policy, the Central Bank of Mexico initiated an easing cycle during the second half of 2019, cutting its reference rate on four occasions, decreasing it by a total of 100 basis points to end the year at a level of 7.25%. It is worth mentioning that consumer fundamentals remained healthy overall, driven by an increase in real wage income, strong consumer confidence and record high remittances during 2019. Moreover, the focus on social programs did not lead to fiscal slippage; instead, the primary balance for 2019 stood at 1.1% of GDP and the government remained committed to its fiscal targets. Therefore, although the economy remained sluggish, the macroeconomic fundamentals and financial indicators were stable throughout the year.

In line with this uncertain global and local macroeconomic outlook and as our financial results show, 2019 was an atypical year to UNIFIN. However, our company remains solid, well capitalized and maintains its commitment to work closely with our clients to support the Mexican SME sector. Therefore, during 2019 we focused all our efforts to fully understand our clients´ needs and help them achieve their financial goals. We believe that the key of our success will lie mainly in two factors. First, we have strengthened our relationship with our clients by looking to become their main financial advisor. Given the constant communication with our customers we have provided financial solutions aimed to fulfil their needs and support their businesses, particularly when commercial banks slowed their lending pace. In addition to our core business products, as technology and customer needs evolve, at UNIFIN we have tirelessly worked on creating a new range of financial solutions. These products include working capital loans, cash loans to our clients with a good track record, and reinforced fleet and insurance services. Also, we strongly believe that new technologies and digital platforms will transform the future of the global SME sector. At UNIFIN we want to be pioneers of this transformation. After over a year of continuous work, we will shortly launch our brand-new digital platform, Uniclick. Our 27-years of experience and expertise will help us lead the way.

The second factor is that we have identified that the economic slowdown is not widespread among regions and sectors. As an example, during 2019 we acknowledged that around 19 entities will grow above the national average, most of these are in the northern and central regions of the country. As a result, we reallocated UNIFIN´s regional offices to increase our client base in these regions. Our analysis also identified the booming industries behind this growth, and we believe that in 2020 exporting companies will benefit from the certainty created by the USMCA. Additionally, the positive dynamics of the retail sector will be propelled by strong remittances and social programs. These two industries along with others that have recently redefined its production to capital-intensive processes represent significant opportunities to UNIFIN that we are ready to capture.

In conclusion, the solid macroeconomic fundamentals of Mexico coupled with a more certain business environment will likely translate into additional capital investment at the SME sector throughout 2020. Moreover, UNIFIN's business-oriented strategy along with the strong commitment we have maintained with our clients for 27 years, will enable us to work closely with them in identifying new opportunities and products. These actions will translate into an improvement of UNIFIN's overall profitability, strengthening our commitment with our stakeholders.

Rodrigo Lebois

Message from the CEO

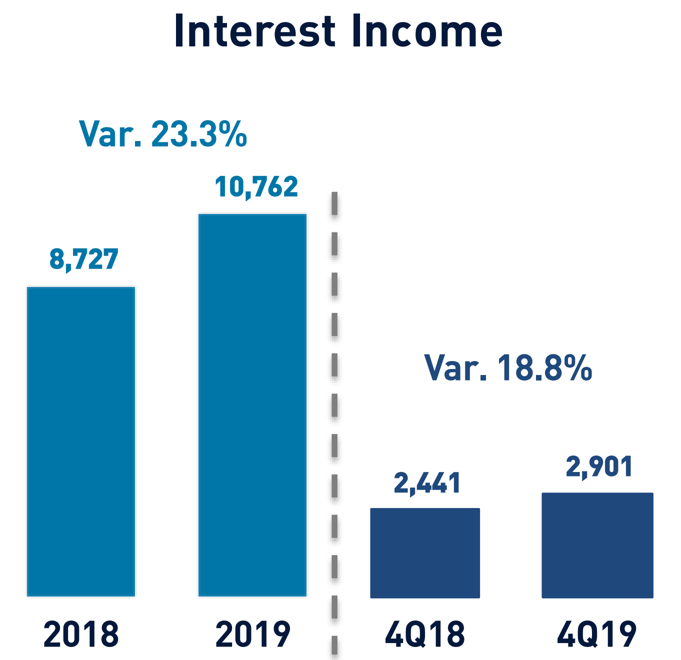
During 2019, despite an uncertain macroeconomic environment and a significant slowdown in Mexico's GDP, we are reporting annual results that demonstrate the strength of our business model and the capabilities to adapt our business to a changing environment. Total interest income increased by 23.3% during the year, while the financial margin and operating income grew 18.7% and 6.1% year-over-year, respectively. The total portfolio stood at Ps. 58,611 million, a 29.8% increase vs. 2018 and above our guidance for the year, while maintaining adequate capitalization levels.

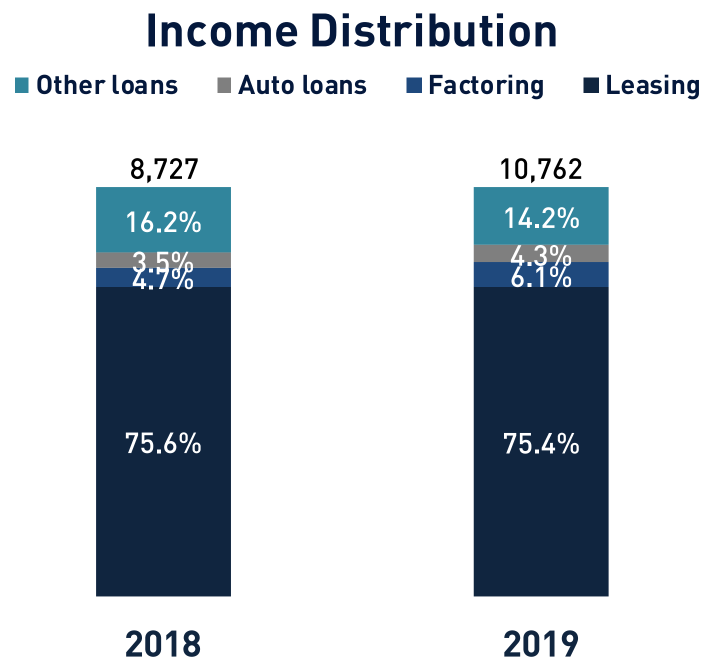
Throughout the year, we were able to successfully finance the Company in the local and international markets, while maintaining an attractive weighted average funding cost of 10.5%, which was 20 bps below our initial guidance for 2019. These measures give us the necessary financial strengths to continue expanding our operations.

We are confident that 2020 will be a positive year for the Company. We expect Mexico's dynamics to improve, helping demand for our core products. We are launching new products, adapting to our clients' needs, and harnessing financial technology to our advantage, like Uniclick, a sophisticated digital platform as a new means of contact, which will also allow cross-selling and additional sales in the medium term. In this way, UNIFIN enters the digital ecosystem in a solid way, capturing benefits in the current business and serving as an incubator for other initiatives of the Company. The first product planned by Uniclick is simple short-term credit, which is characterized by its simplicity, speed and ability to scale rapidly in an unattended market. We are convinced that Uniclick will be a successful channel that will have the support, expertise and financial strength that UNIFIN has in the market.

Sergio Camacho

Income Statement





In 4Q19, interest income increased by 18.8% compared to the same period in the previous year, reaching Ps. 2,901 million. This variation was mainly driven by our portfolio growth in our different business lines. Leasing interest increased by 15.6% to Ps. 2,197 million. Factoring interest increased by 103.4% reaching Ps. 249 million, while auto loans interest grew by 48.0%, accounting for Ps. 117 million in 4Q19. Interest income and commissions from other loans accounted for Ps. 337 million, which include the income of our business line structured leasing and working capital credit loans.

For 2019, total interest income increased by 23.3% vs. 2018 to Ps. 10,762 million. Leasing interest reached Ps. 8,110 million, factoring interest was Ps. 656 million, auto loans interest ended at Ps. 460 million, while interest income and commissions from other loans was Ps. 1,537 million.

Interest costs for 4Q19 increased by 23.3%, to Ps. 1,809 million, explained by an increase in financial liabilities related to our operational growth. For 2019, interest costs increased by 26.0% due to our prudent strategy of shielding the balance sheet. During 2019, the weighted average funding cost was 10.5%, 20 bps below our year-end expectations.

Cost of Funding and Interest Expense	2019	2018	Var.%
Cost of funding	**10.52%**	**10.10%**	**42 bps**
Breakdown:			
Interest rate growth			0 bps
Increase due to increase in our debt			42 bps
Interest expense	**6,945**	**5,512**	**1,433**
Breakdown:			
Interest rate growth			0
Increase due to increase in our debt			1,433

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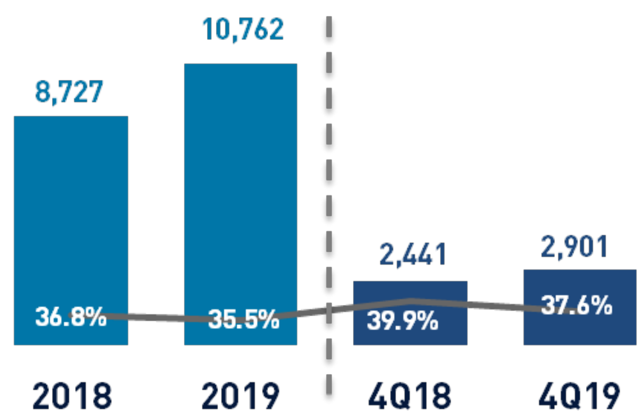
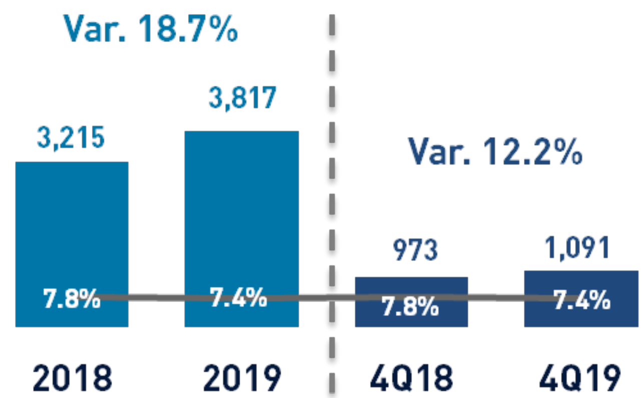
Financial margin increased 12.2% compared to 4Q18, reaching Ps. 1,091 million. For 2019, the financial margin closed at Ps. 3,817 million, a growth of 18.7% vs. 2018. This improvement is related to higher interest income related to our different business lines. However, the NIM contracted by 40 basis points to 7.4% in 2019 vs. 2018, explained by the lag between issuing new debt and deploying those funds through offering new leases and financing to our clients. As is customary in our business, this lag impacts our financial margin in the short term (negative carry). Going forward we expect profitability to recover as we deploy our cash balances.

Financial Margin as % of Interest Income



Financial Margin and NIM



The loan loss provision portfolio for the 4Q19 increased to Ps. 273 million compared to Ps. 128 million in 4Q18. For 2019, it ended at Ps. 428 million, a 30.5% increase vs. 2018, consistent with our portfolio growth. These provisions are created according to our loan loss reserve policy attached to the guidelines defined by IFRS.

Adjusted financial margin during 4Q19 was Ps. 818 million vs. Ps. 845 million in 4Q18. The decline was a consequence of higher interest expense, but most important to the increase in allowances. For 2019, the adjusted financial margin increased 17.4% to Ps. 3,389 million compared to 2018.

Administrative expenses consist of investments in marketing, administrative services, legal and professional fees and other administrative expenses. The administrative expenses for 4Q19 increased by 51.7% compared to the same period in the previous year, reaching Ps. 386 million. This increase is explained by higher headcount compared to 4Q18 (690 vs. 592 employees), as well as investments related to the new digital platform "Uniclick". For 2019, administrative expenses ended at Ps. 1,377 million vs. Ps. 1,092 million in 2018. However, OpEx as a percentage of sales remained stable during 2019 at 12.8% vs. 12.5% in 2018 reflecting the operating efficiencies the Company achieved throughout the year. For further detail, please refer to the table below.

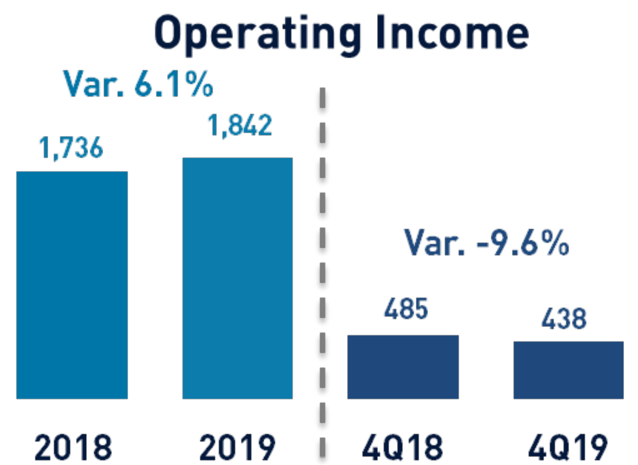
Expenses	4Q19	4Q18	Var.%	2019	2018	Var.%
Administrative services	213	131	62.2%	795	538	47.8%
Legal and professional fees	54	57	(5.7%)	219	203	7.5%
Other administrative expenses	120	66	80.2%	363	350	3.6%
Administrative Expenses	**387**	**254**	**51.7%**	**1,377**	**1,092**	**26.1%**
Depreciation of own equipment	71	12	491.7%	163	59	177.7%
Loss (profit) on sale of fixed assets	(78)	93	(183.2%)	7	0	NA
Other Expenses	**(78)**	**93**	**(183.2%)**	**170**	**59**	**190.2%**
Total Expenses	**309**	**348**	**(11.3%)**	**1,547**	**1,151**	**34.5%**

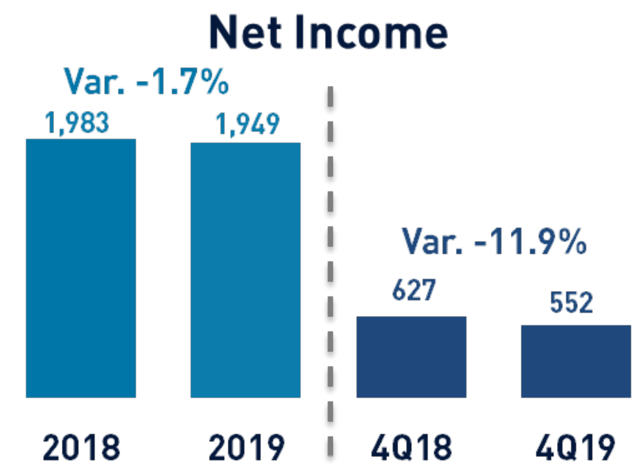
Operating income decreased by 9.6% in 4Q19 to Ps. 438 million during the period, compared to Ps. 485 million in 4Q18, driven by an increase in interest costs, higher provisions and administrative investment throughout the quarter. For 2019, operating income closed at Ps. 1,842 million, a growth of 6.1% compared to the previous year.

The **total financing result** consists of bank commissions and fees, in addition to gains related to foreign exchange rates, cash assets and liabilities. The total financing result was Ps. 226 million for 4Q19. For 2019, the total financing result ended with an income of Ps. 528 million. For further detail, please refer to the table below.

Financing Result	4Q19	4Q18	Var.%	2019	2018	Var.%
Foreign exchange loss, net	138	107	29.9%	157	231	(32.1%)
Bank commissions and fees	(1)	(9)	(88.1%)	(18)	(44)	(58.5%)
Investment interest	85	22	280.1%	282	238	18.4%
Other income (expenses) products	3	113	(97.2%)	108	167	(35.5%)
Financing result	**226**	**233**	**(3.2%)**	**528**	**592**	**(10.8%)**

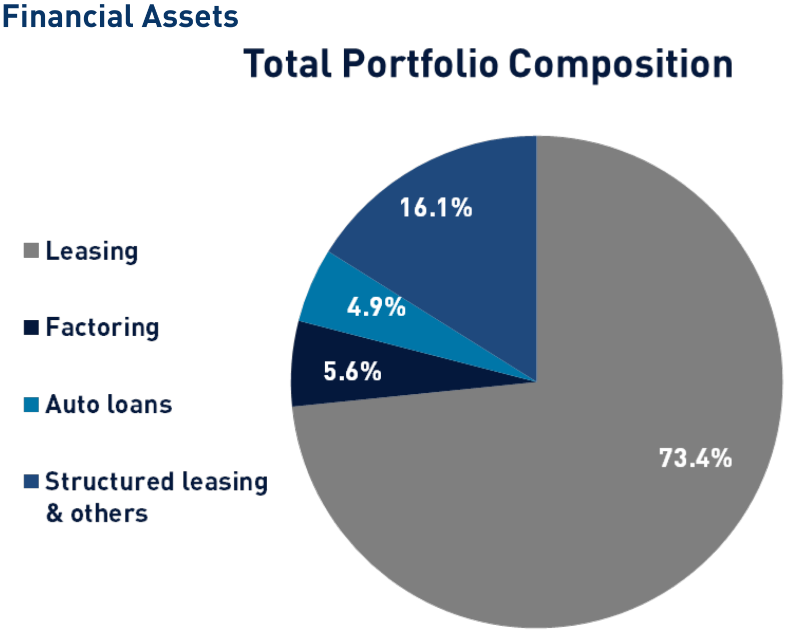
As a result of the above, the **consolidated net income** for 4Q19 closed at Ps. 552 million vs. Ps. 627 million in 4Q18. For 2019, the consolidated net income was Ps. 1,949 million, a contraction of 1.7% compared to Ps. 1,983 million in 2018.

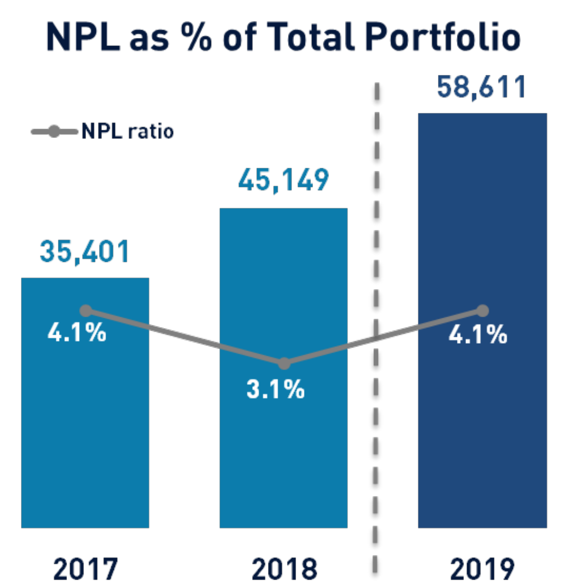




Balance Sheet

Financial Assets





The total loan portfolio reached Ps. 58,611 million in 2019, an increase of 29.8% compared to the portfolio of Ps. 45,149 million reported in 2018, due to new originations over the past 12 months.

Leasing	2019	2018	Var. %
Net loan portfolio	41,911	35,413	18.4%
Non-performing loans	2,249	1,190	88.9%
Loan loss reserve	(1,119)	(746)	50.1%
Total loan portfolio	**43,030**	**36,158**	**19.0%**
Factoring	**2019**	**2018**	**Var. %**
Net loan portfolio	3,165	2,716	16.5%
Non-performing loans	91	148	(38.6%)
Loan loss reserve	(91)	(148)	(38.6%)
Total loan portfolio	**3,256**	**2,864**	**13.7%**
Auto, Structured Leasing & Other loans	**2019**	**2018**	**Var. %**
Net loan portfolio	12,234	6,067	101.7%
Non-performing loans	91	59	53.0%
Loan loss reserve	(91)	(59)	53.0%
Total loan portfolio	**12,325**	**6,126**	**101.2%**
Total loan portfolio	**2019**	**2018**	**Var.%**
Net loan portfolio	57,311	44,196	29.7%
Total non-performing loans	2,430	1,397	73.9%
Loan loss reserves	(1,300)	(953)	36.5%
Total loan portfolio	**58,611**	**45,149**	**29.8%**

Non-performing loans as a percentage of the total loan portfolio represented 4.1% in 2019, reaching Ps. 2,430 million. For factoring and auto & other loans, the NPL classification starts at 31 days past due date and considers the full amount of the net present value, plus accrued interest. The lease portfolio NPL classification starts at 91 days past due, and mainly considers the full amount of the NPV, as shown in the table below.

Aging balances (days)	Leasing	Factoring	Auto & other loans	Total	% Total
0 - 30	36,193	3,165	12,234	51,593	88.0%
31 - 60	3,325	2	27	3,354	5.7%
61 - 90	1,264	4	4	1,272	2.2%
>90	2,249	85	59	2,393	4.1%
Total Portfolio	**43,030**	**3,256**	**12,325**	**58,611**	**100%**
Loan loss reserve	(1,119)	(91)	(91)	(1,300)	

The loan loss reserve for 2019 ended at Ps. 1,300 million. These provisions are created according to our loan loss reserve policy attached to the guidelines defined by IFRS. This methodology is based on an expected loss basis.

For the leasing portfolio, the expected loss provision is based on historic payment behavior, the current environment and a reasonable provision for future payments. The recovery value of leased assets, which were more than 90 days past-due, was Ps. 2,196 million in 2019. The estimated break-even value of these assets was 51.5% as of 2019; as shown in the table below.

Historically, the Company has sold its repossessed assets at approximately 80% of their recovery value.

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% Recovery	Est. Recovery value	NPL +90	Gain (loss)	Potential charge-off
100.0%	2,196	2,249	(52)	-
85.0%	1,867	2,249	(382)	-
70.0%	1,538	2,249	(711)	-
55.0%	1,208	2,249	(1,041)	-
51.5%	**1,130**	**2,249**	**(1,119)**	**0**
Reserve	**(1,119)**			

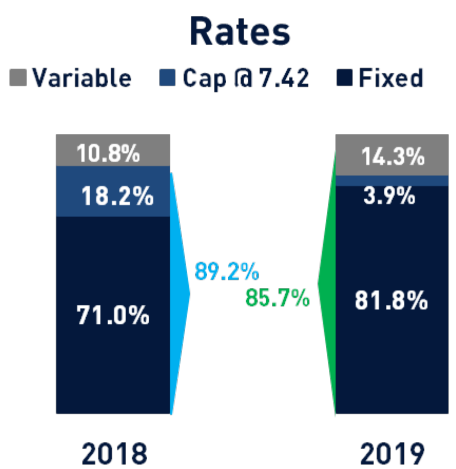
Total assets as of December 31, 2019 reached Ps. 78,996 million, a growth of 29.6% compared to last year, of which 36.4% is active in the short term and 63.6% is long term.

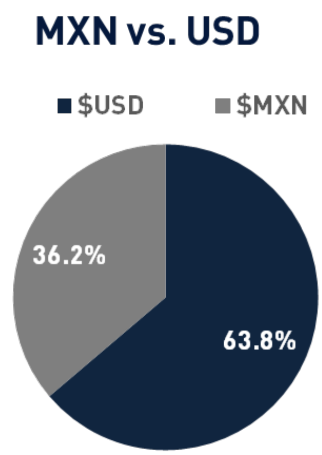
Financial Liabilities

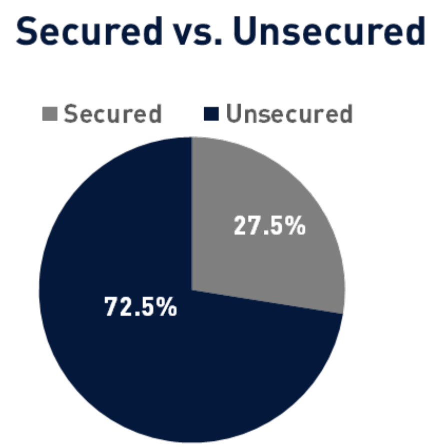
Financial liabilities at the end of December 31, 2019 were Ps. 62,935 million, an increase of 26.5% compared to Ps. 49,753 million in 2018, attributed mainly to portfolio growth. The weighted average term of the liabilities was 49 months vs. 33 months for the total portfolio.

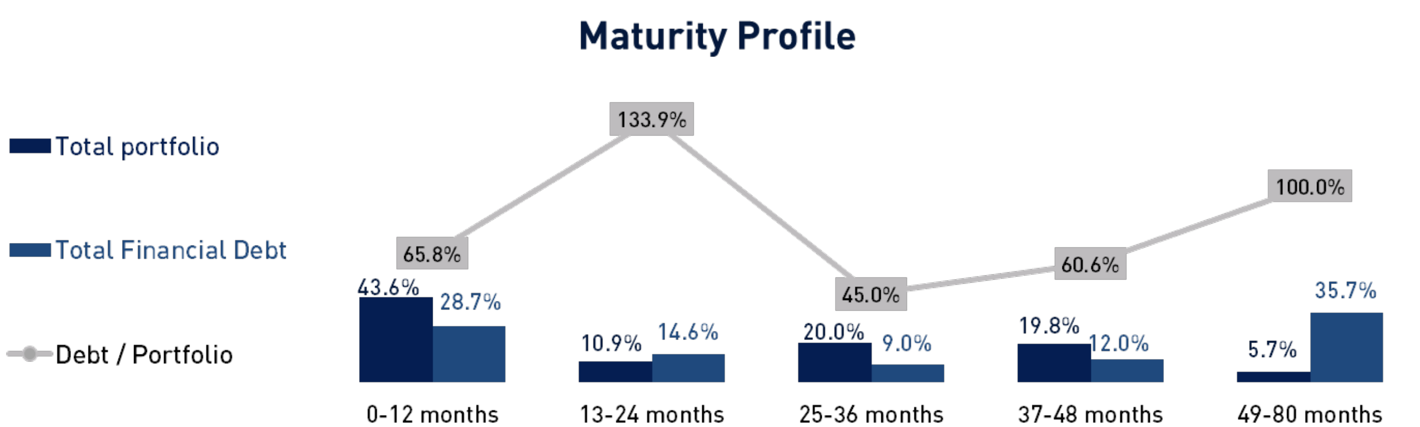
Financial Liabilities	2019	% Total	2018	% Total	Var.%
International Notes	33,632	53.4%	21,939	44.1%	53.3%
Banks	14,667	23.3%	12,396	24.9%	18.3%
Securitizations	14,636	23.3%	15,418	31.0%	(5.1%)
Total Financial Liabilities	**62,935**	**100.0%**	**49,753**	**100.0%**	**26.5%**

In 2019, the fixed rate debt accounted for 85.7% of the total debt, with the remaining 14.3% at a variable rate.





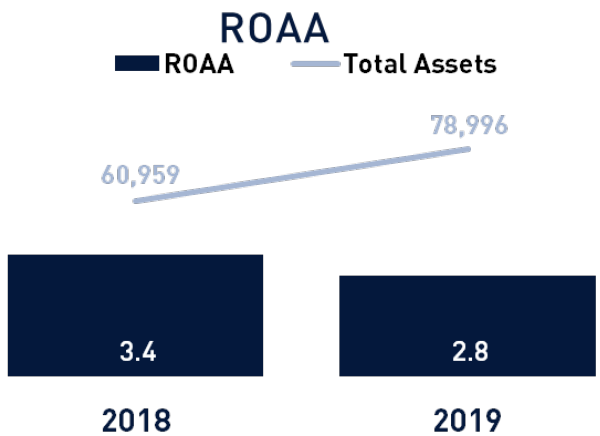


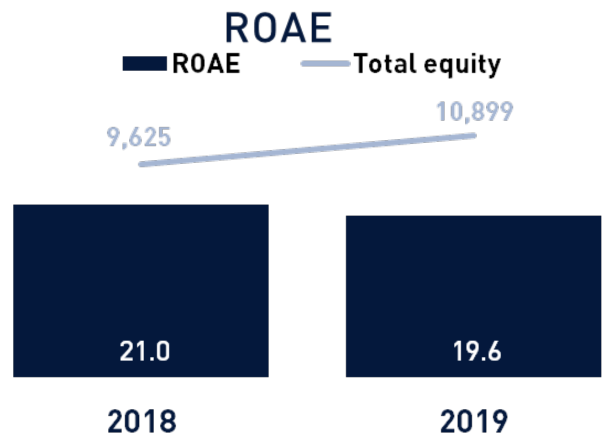


Stockholders' equity closed at Ps. 10,899 million, an increase of 13.2% compared with Ps. 9,626 million in 2018. Under IFRS regulations, an operating lease asset, which doesn't consider a residual value (or selling the asset at the end of the contract), must be recorded in the stockholders' equity at fair value. Therefore, we have opened a new accounting record within the balance sheet, "other capital accounts", which refers to the difference between the fair value (or market value) and the acquisition cost of the operating asset.

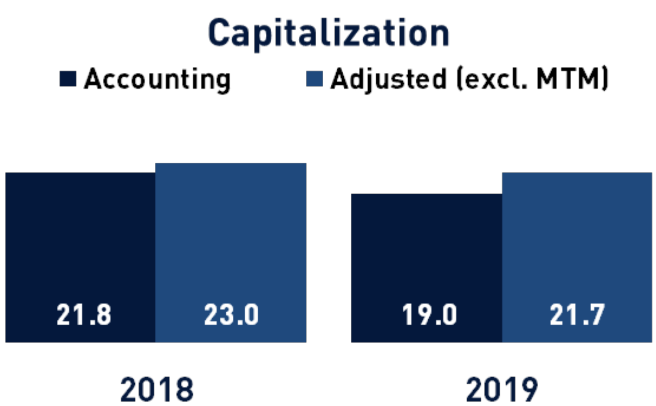
Financial Ratios

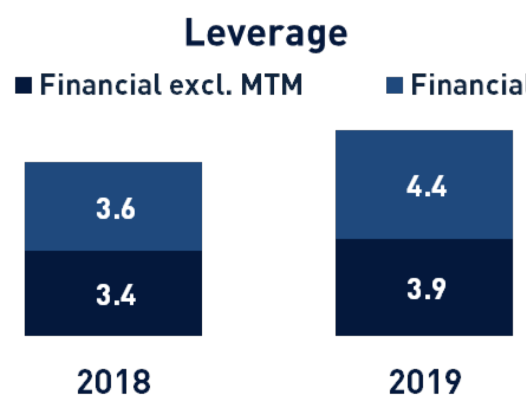
At the end of 2019, the ROAA stood at 2.8%, while the ROAE was 19.6%.





Capitalization Ratio (Stockholders' equity / net loan portfolio) for the period represented 19.0%; while the financial leverage ratio was 4.4x at the end of 2019.





Operational Summary

In 4Q19, the Company's total origination volume ended at Ps. 10.097 million, a growth of 3.1% vs 4Q18. Even though 2019 was a difficult year with the gross fixed investment in Mexico negatively impacted, the Company was able to report total origination volume of Ps. 34,403 million, only a 6.3% decrease vs. 2018. The lower origination volume is mainly a consequence of the slowdown in investment related to our leasing business, which reported a decrease of 23.1% compared to the previous year. Notwithstanding the decline throughout the year, the leasing originations in 4Q19 showed a recovery. As of December 31, 2019, the backlog of the Company stood at ~Ps. 14,000 million of approved facilities waiting to be disbursed, that we expect to materialize in 2020.

By Business Line

Leasing	4Q19	4Q18	Var.%	2019	2018	Var.%
Origination volume (in Ps. million)	6,347	6,550	(3.1%)	19,580	25,462	(23.1%)
Total Portfolio balance (in Ps. million)				43,030	36,158	19.0%
WAVG (months)				33		
Number of clients				4,565		
Average ticket (in Ps. million)				9.4		
Factoring	**4Q19**	**4Q18**	**Var.%**	**2019**	**2018**	**Var.%**
Origination volume (in Ps. million)	3,443	2,903	18.6%	12,299	10,010	22.9%
Total Portfolio balance (in Ps. million)				3,256	2,864	13.7%
WAVG (days)				96		
Number of clients				1,126		
Average ticket (in Ps. million)				2.9		
Auto loans	**4Q19**	**4Q18**	**Var.%**	**2019**	**2018**	**Var.%**
Origination volume (in Ps. million)	307	338	(9.2%)	2,524	1,238	103.9%
Total Portfolio balance (in Ps. million)				2,865	1,881	52.3%
WAVG (months)				33		
Number of clients				1,645		
Average ticket (in Ps. million)				1.7		

By Geographic Zone

Leasing	
Mexico city & metro	63.6%
Nuevo Leon	9.0%
Coahuila	2.8%
Veracruz	2.7%
Aguascalientes	2.2%
Puebla	2.1%
Others	17.6%
	100.0%

Factoring	
Mexico city & metro	76.2%
Nuevo Leon	5.3%
Tabasco	4.9%
Jalisco	2.9%
Veracruz	2.1%
Puebla	1.8%
Others	6.8%
	100.0%

Auto loans	
Mexico city & metro	95.5%
Guanajuato	2.5%
Queretaro	0.3%
Nuevo Leon	0.3%
Colima	0.2%
Nayarit	0.2%
Others	1.0%
	100.0%

By Economic Sector

Leasing	
Services	48.3%
Industry & mfg.	28.5%
Commerce	10.1%
Transportation	6.8%
Construction	6.3%
	100.0%

Factoring	
Services	48.2%
Industry & mfg.	25.6%
Commerce	20.8%
Transportation	4.6%
Construction	0.8%
	100.0%

Auto loans	
Services	64.3%
Transportation	30.2%
Commerce	3.7%
Industry & mfg.	1.4%
Construction	0.4%
	100.0%

By Type of Asset

Leasing	
Transportation	34.0%
Machinery	28.1%
Others	37.9%
	100.0%

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Other Relevant Events

October 31, 2019 – UNIFIN informs that Mr. Rodrigo Lebois Mateos increased his participation in the Company's capital stock through the control trust.

November 4, 2019 – UNIFIN ratified PricewaterhouseCoopers, S.C. as external auditor of basic financial statements.

January 8, 2020 – UNIFIN acquired in the stock market ~7.5 million shares through its repurchase program.

Analyst Coverage

Equity

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Fixed Income

Institution	Analyst	e-mail
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Credit Suisse	Jamie Nicholson	jaime.nicholson@credit-suisse.com
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About UNIFIN

UNIFIN is the leading independent Mexican leasing company, operating as a non-banking financial services company, specializing in three main business lines: operating leasing, factoring and auto and other lending. Through UNIFIN's leasing business line, its core business line, the Company offers operating leases for all types of equipment and machinery, various types of transportation vehicles (including cars, trucks, helicopters, airplanes and other vessels) and other assets in a variety of industries. Through its factoring business line, UNIFIN provides liquidity and financing solutions to its customers by purchasing or discounting accounts receivable and by providing vendor financing. UNIFIN's auto loans business line is focused on financing the acquisition of new and used vehicles.

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Income Statement

Figures in Ps. million	4Q19	4Q18	Var.%	2019	2018	Var.%
Interest income from leasing	2,197	1,900	15.6%	8,110	6,589	23.1%
Interest income from factoring	249	122	103.4%	656	414	58.4%
Interest income from auto loans	117	79	48.0%	460	309	48.5%
Interest income and commissions from other loans	337	339	(0.4%)	1,537	1,414	8.7%
Interest income	**2,901**	**2,441**	**18.8%**	**10,762**	**8,727**	**23.3%**
Interest costs	1,809	1,468	23.3%	6,945	5,512	26.0%
Financial margin	**1,091**	**973**	**12.2%**	**3,817**	**3,215**	**18.7%**
Loan loss provision portfolio	273	128	113.5%	428	328	30.5%
Adjusted financial margin	**818**	**845**	**(3.2%)**	**3,389**	**2,887**	**17.4%**
Administrative services	213	131	62.2%	795	538	47.8%
Legal and professional fees	54	57	(5.7%)	219	203	7.5%
Other administrative expenses	120	66	80.2%	363	350	3.6%
Depreciation of own equipment	71	12	510.1%	163	59	177.7%
Loss (profit) on sale of fixed assets	(78)	93	(183.2%)	7	0	NA
Operating income	**438**	**485**	**(9.6%)**	**1,842**	**1,736**	**6.1%**
Foreign exchange loss, net	138	107	29.9%	157	231	(32.1%)
Bank commissions and fees	(1)	(9)	(88.1%)	(18)	(44)	(58.5%)
Interest on investments	85	22	280.1%	282	238	18.4%
Other income (expenses) products	3	113	(97.2%)	108	167	(35.5%)
Profit (loss) before results of associated companies	**664**	**718**	**(7.6%)**	**2,370**	**2,328**	**1.8%**
Results of associated companies	9	18	(47.0%)	34	36	(7.2%)
Income tax	121	109	11.2%	454	382	18.9%
Net income	**552**	**627**	**(11.9%)**	**1,949**	**1,983**	**(1.7%)**

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Balance Sheet

Figures in Ps. million	2019	2018	Var.%
Assets			
Cash & cash equivalents	3,831	4,282	(10.5%)
Net loan portfolio	24,285	18,526	31.1%
Financial derivative instruments	60	90	(33.1%)
Other current assets	597	557	7.3%
Current assets	**28,774**	**23,455**	**22.7%**
Non-current assets held for sale	1,384	831	66.6%
Net loan portfolio	33,026	25,670	28.7%
Property, furniture and equipment, net	950	896	6.0%
Investment properties	4,716	168	2,702.2%
Intangible assets	110	121	(9.1%)
Financial derivative instruments	4,953	4,761	4.0%
Deferred taxes	4,989	4,980	0.2%
Other non-current assets	93	75	23.7%
Non-current assets	**48,837**	**36,673**	**33.2%**
Total assets	**78,996**	**60,959**	**29.6%**
Liabilities and stockholders' equity			
Bank loans	8,881	8,392	5.8%
Debt securities	4,438	2,259	96.4%
Senior notes	1,021	665	53.5%
Sundry creditors	330	65	405.1%
Tax payable	177	191	(6.9%)
Financial derivative instruments	1,365	4	30,754.0%
Other accounts payable	1,640	1,320	24.2%
Current liabilities	**17,852**	**12,896**	**38.4%**
Bank loans	5,786	4,004	44.5%
Debt securities	10,198	13,159	(22.5%)
Senior notes	32,611	21,274	53.3%
Financial derivative instruments	1,649	0	NA
Non-current liabilities	**50,244**	**38,437**	**30.7%**
Total liabilities	**68,096**	**51,333**	**32.7%**
Stockholders' equity	2,894	2,894	0.0%
Equity reserve	274	274	0.0%
Retained earnings	1,721	489	252.4%
Net income	1,949	1,983	(1.7%)
Subordinated perpetual notes	4,531	4,531	(0.0%)
Accumulated other comprehensive income	(1525)	(545)	179.6%
Other capital accounts	1,054	0	NA
Total stockholders' equity	**10,899**	**9,626**	**13.2%**
Total liabilities & stockholders' equity	**78,996**	**60,959**	**29.6%**

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Appendix

Appendix 1 – Glossary of Metrics

1. Net interest margin (NIM) - Calculated as LTM of financial margin / average net portfolio
2. OpEx - Calculated as administrative services, legal and professional fees and other administrative expenses divided by total income.
3. Efficiency ratio - Calculated as administrative services, legal and professional fees, depreciation and other administrative expenses divided by the sum of gross margin, bank commissions and fees.
4. NPL ratio - Calculated as total past-due loan portfolio (leasing, factoring & auto) / total portfolio
5. Coverage ratio - Calculated as total past-due loan portfolio / total allowances for loan losses
6. ROA - Calculated as consolidated net income / assets for the previous 12 months.
7. ROAA - Calculated as consolidated net income / average assets for the previous 12 months
8. ROE - Calculated as consolidated net income / total stockholders' equity for the previous 12 months.
9. ROAE - Calculated as consolidated net income / average total stockholders' equity for the previous 12 months.
10. Capitalization - Calculated as equity / total net loan portfolio
11. Financial leverage - Calculated as financial liabilities (excl. securitizations) / equity
12. Total leverage - Calculated as total liabilities (excl. securitizations) / equity
13. EPS – Calculated as consolidated net income / net outstanding shares

Appendix 2 – Financial Liabilities

International Notes	Outstanding (US. Million)	Maturity	Rate	Currency	Rating[2] S&P/Fitch/HR
UNIFIN 2022	200	Jul-22	Fixed	USD[1]	BB / BB / BBB-
UNIFIN 2023	400	Sep-23	Fixed	USD[1]	BB / BB / BBB-
UNIFIN 2025	450	Jan-25	Fixed	USD[1]	BB / BB / BBB-
UNIFIN 2026	300	Feb-26	Fixed	USD[1]	BB / BB / BBB-
UNIFIN 2028	450	Jan-28	Fixed	USD[1]	BB / BB / BBB-
Total	**1,800**				

Securitization	Outstanding (Ps. Million)	Maturity	Rate	Currency	Rating[3] S&P/HR
Private ABS	2,500	jun-25	Variable[1]	MXN	mxAAAS&P / HRAAA
Private ABS	2,500	mar-25	Variable[1]	MXN	AAA[4]
UFINCB15	403	sep-20	Variable[1]	MXN	mxAAAS&P / HRAAA
UFINCB16	1,190	feb-21	Variable[1]	MXN	mxAAAS&P / HRAAA
UNFINCB16	909	sep-21	Variable[1]	MXN	mxAAAS&P / HRAAA
UNFINCB16-2	909	sep-21	Fixed	MXN	mxAAAS&P / HRAAA
UNFINCB17	1,500	mar-22	Variable[1]	MXN	mxAAAS&P / HRAAA
UNFINCB17-2	1,500	mar-22	Fixed	MXN	mxAAAS&P / HRAAA
UNFINCB17-3	2,500	sep-22	Variable[1]	MXN	mxAAAS&P / HRAAA
UNFINCB17-4	1,000	sep-22	Fixed	MXN	mxAAAS&P / HRAAA
Total	**14,911**				

Bank Credit Lines	Outstanding (Ps. Million)	Available
Total	**14,510**	**1,401**

(1) Excludes accrued interest and deferred charges
(2) International rating
(3) Local rating
(4) Fitch rating

Appendix 3 – Share Repurchase Program

Share repurchase program	Shares
Initial balance of the repurchase program as of 01/01/2019	**16,317,238**
Total acquired shares 2019	**13,529,894**
1Q19	5,057,681
2Q19	923,933
3Q19	4,840,205
4Q19	2,708,075
Total sold shares 2019	**0**
Cancelled shares in 2019	**5,000,000**
Final balance of the repurchase program as of 31/12/2019	**24,847,132**

Appendix 4 – Company Capital Structure and EPS

Number of Shares	Shares As of Dec 2019
Current float	**134,009,233**
Repurchased shares held in Treasury	29,847,132
Cancelled shares in 2019	5,000,000
Number of total shares held in Treasury	**24,847,132**
Total Outstanding Shares	352,800,000
Total Cancelled Shares	7,500,000
Net Outstanding shares	**345,300,000**

Earnings per Share (EPS)	2019	2018
EPS last 12 months	5.65	5.62

* In January 8, 2020, the Company acquired in the stock market ~7.5 million shares through its share repurchase program.